

# OIL AND GAS COMMISSION

## Enabling Laws

Act 50 of 2003

A.C.A. § 15-71-101 et seq.

A.C.A. § 15-72-101 et seq.

A.C.A. § 15-76-301 et seq.

## History and Organization

The purpose and mission of the Arkansas Oil and Gas Commission is and has always been to serve the public and protect the correlative rights and interest of all parties

Approximately 36,000 permits to drill have been issued by the Arkansas Oil and Gas Commission in which many resulted in dual and triple completions. These records are maintained within this office on a cradle to grave basis, that is from permitting to drill to the plugging and abandonment of such well. These cradle to grave records are maintained by the Commission and are available to the public during normal office hours.

Act 105 of 1939, which repealed all laws and regulations in conflict with it, provided for its administration by creating the Oil and Gas Commission to oversee the conservation and production requirements contained therein. The Commission consisted of seven members with industry knowledge, appointed by the Governor to serve staggered six year terms. Compensation was also authorized for each day commissioners attended a meeting or hearing, along with reimbursement of all necessary travel expenses. Act 680 of 1985 added two members to the Commission and specified that industry knowledge would not be a requirement of service by individuals holding these two positions. The Director of Production and Conservation serves as the ex-officio Secretary of the Commission and is also the director of the Commission's staff. Act 472 of 1949, as amended by Act 232 of 1953, stipulates that the Director shall also serve as a member of the Pollution Control and Ecology Commission.

Act 111 of 1969 amended Paragraph M of Section 11 of Act 105 of 1939 in order to empower the Oil and Gas Commission to regulate the drilling for and production of salt water for the bromine industry.

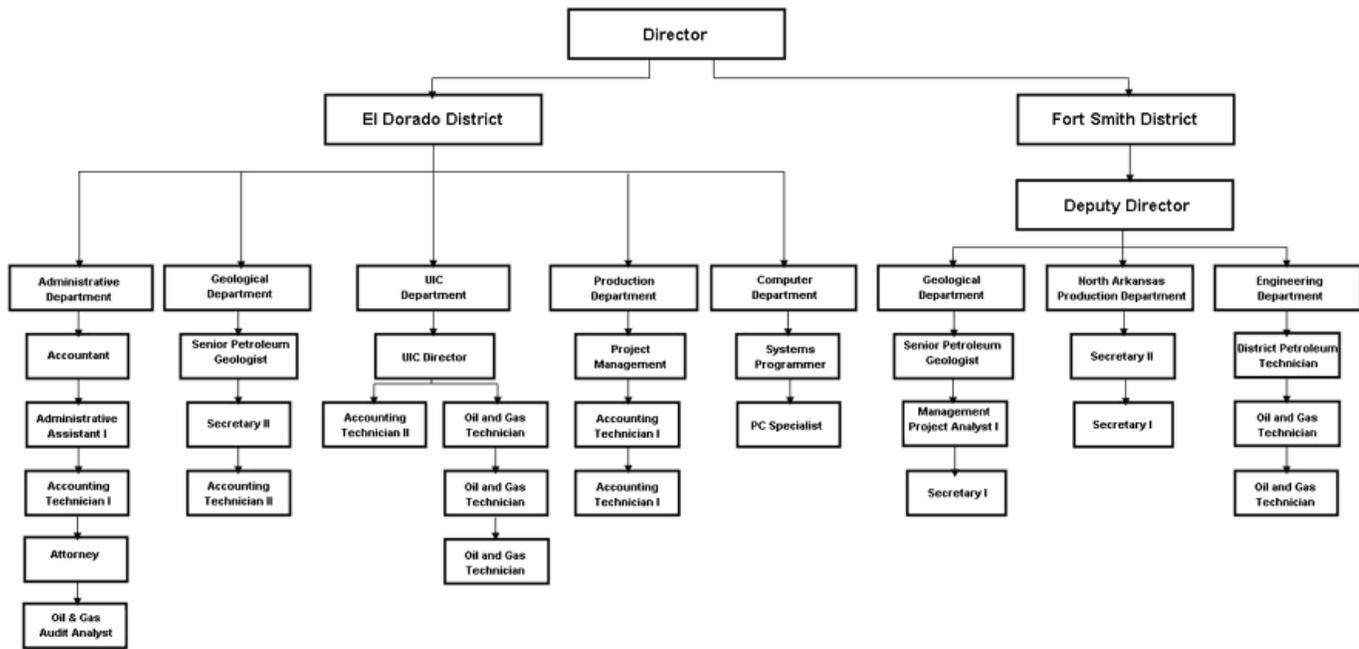
In 1978, the U.S. Congress passed the Natural Gas Policy Act, and the Arkansas Department of Energy determined that the Oil and Gas Commission should serve as the jurisdictional agency for status determination under the provisions of that Act.

Act 937 of 1979 empowered the Oil and Gas Commission to regulate drilling for and extraction of bromine to obtain its mineral contents.

In March 1984, the Oil and Gas Commission assumed primacy for the Underground Injection Control Program in agreement with the Department of Pollution Control and Ecology and the Environmental Protection Agency for Class II injection wells and Class V bromine-related brine disposal wells.

Additional staff personnel were authorized for assimilation of this program into the Agency's regular duties.

Act 5 of 1991 requires persons and entities conducting or proposing to conduct field seismic operations in the State to obtain a permit from and post a bond with the Arkansas Oil and Gas Commission. The Commission was mandated to regulate all seismic operations in the State of Arkansas.



## Agency Commentary

The Oil & Gas Commission functions as one program aimed at the conservation and fair distribution of mineral resources within its jurisdiction. This is accomplished through the efforts of the Commission's five working sections:

The Administrative Section is responsible for the administrative, financial, and management activities of the Agency. The Administrative Section also provides for audits of records to determine that oil and gas royalties are distributed in an accurate and timely manner.

The Engineering and Geology Sections are jointly responsible for the technical activities, records maintenance, and policing and enforcement activities required to produce and allocate oil and gas reserves as efficiently as possible.

The Production Section is responsible for accounting of oil, gas, and brine production, assessment of conservation taxes, compilation of statistical data for publications and for use by representatives of the industry and the general public.

The Underground Injection Control Section is responsible for monitoring underground disposal of waste fluids generated by oil and gas producers. Jurisdiction over such disposal is the Commission's

part of State administration of the Underground Injection Control Program mandated by the Environmental Protection Agency.

All of the activities of the aforementioned sections are required to insure that all interested parties receive their just and equitable share of the benefits derived from oil, gas, and brine production and that sufficient information is available to assist in finding new oil and gas reserves for future use.

To remain prepared for peak operations, the Commission requests that the Base Level of each year be enhanced by providing \$75,000 in Capital Outlay for replacement of vehicles and office, engineering, and communications equipment. Restoration of the previously authorized appropriation amount in the special line item Data Processing Services is also requested.

In planning for our upcoming budget, many personnel issues need to be addressed to meet the specific needs of the Commission. We request to reclassify an open position of an Oil & Gas Technician to an Oil and Gas Audit Analyst. This position fulfills the first mission of the agency, which is to serve the public and protect the correlative rights and interest of all parties. CLIP Reclassifications are being requested for two (2) Secretary II positions, one (1) PC Support Specialist, and one (1) Accountant. The ability to CLIP the Attorney Specialist on staff is also being requested. Being a Special Revenue funded agency, the Oil and Gas Commission requests appropriation only in salaries and personal services matching to cover the personnel requests mentioned above.

## Audit Findings

DIVISION OF LEGISLATIVE AUDIT  
AUDIT OF :  
ARKANSAS OIL AND GAS COMMISSION  
FOR THE YEAR ENDED JUNE 30, 2003

Findings	Recommendations
None	None

## Employment Summary

	Male	Female	Total	%
White Employees	11	14	25	100 %
Black Employees	0	0	0	0 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			0	0 %
Total Employees			25	100 %

## Cash Fund Balance Description as of June 30, 2004

Fund Account	Balance	Type	Location
3010000	\$268,653	Checking	BanCorp South, El Dorado

Statutory/Other Restrictions on use:

N/A

Statutory Provisions for Fees, Fines, Penalties:

Act 105 of 1939 authorizes the collection of fees and penalties.

Revenue Receipts Cycle:

Fees and Penalties are collected throughout the year.

Fund Balance Utilization:

Refunds/Transfers - Funds are collected on a daily basis. A portion is used to make refunds for overpayments and to reimburse posted bonds. The remaining balance at the end of each month is transferred to the State Treasury.

## Publications

### A.C.A 25-1-204

Name	Statutory Authorization	Required for		# Of Copies	Reason (s) for Continued Publication and Distribution
		Governor	General Assembly		
Annual Oil & Gas Report	15-71-110	N	N	100	Annual report of oil and gas produced in the State. Made available to industry and the general public.
Monthly Statistical Bulletin	None	N	N	200	Statistical information on monthly oil and gas production for North and South Arkansas. This is a free service to oil and gas operators.
Rules and Regulations	15-71-111	N	Y	0	Required by industry to inform them of Agency rules and regulations. Also included are forms required to be filed for drilling and production in Arkansas.
Weekly Permit and Completion Report	None	N	N	50	Weekly status report of current oil and gas well drilling and completion. Provided to all parties via mail and E-Mail. Also available to the general public in Oil & Gas Commission offices.

## Department Appropriation / Program Summary

		Historical Data						Agency Request and Executive Recommendation							
Appropriation / Program		2003-2004		2004-2005		2004-2005		2005-2006				2006-2007			
		Actual	Pos	Budget	Pos	Authorized	Pos	Agency	Pos	Executive	Pos	Agency	Pos	Executive	Pos
204	Oil & Gas Commission-Operations	2,078,893	27	2,687,203	28	1,968,313	28	3,048,075	28	3,042,038	28	2,086,159	28	2,079,941	28
A20	Refunds/Transfers	0	0	2,000,000	0	2,000,000	0	2,000,000	0	2,000,000	0	2,000,000	0	2,000,000	0
Total		2,078,893	27	4,687,203	28	3,968,313	28	5,048,075	28	5,042,038	28	4,086,159	28	4,079,941	28
Funding Sources			%		%				%		%		%		%
Fund Balance	4000005	2,306,619	50.0	2,534,101	38.9			1,828,154	30.1	1,828,154	30.1	1,030,079	19.5	1,036,116	19.6
Special Revenue	4000030	2,246,613	48.7	2,250,000	34.5			2,250,000	37.0	2,250,000	37.0	2,250,000	42.6	2,250,000	42.6
Cash Fund	4000045	2,195,844	47.6	1,731,256	26.6			2,000,000	32.9	2,000,000	32.9	2,000,000	37.9	2,000,000	37.8
Transfer to Treasury	4000680	(2,136,082)	-46.3	0	0.0			0	0.0	0	0.0	0	0.0	0	0.0
Total Funds		4,612,994	100.0	6,515,357	100.0			6,078,154	100.0	6,078,154	100.0	5,280,079	100.0	5,286,116	100.0
Excess Appropriation/(Funding)		(2,534,101)		(1,828,154)				(1,030,079)		(1,036,116)		(1,193,920)		(1,206,175)	
Grand Total		2,078,893		4,687,203				5,048,075		5,042,038		4,086,159		4,079,941	

## **Analysis of Budget Request**

**Appropriation / Program:** 204 - Oil & Gas Commission-Operations

**Funding Sources:** SDO - Oil and Gas Commission Fund

The Oil & Gas Commission's regular operating appropriation is funded by Special Revenues, as authorized in Arkansas Code §19-6-410. Base Level for this appropriation includes graduated salary increases of 3% to 1.5% each year over FY05 salary levels, along with related Personal Services Matching costs for (28) Base Level positions. This includes a \$600 minimum increase for employees earning \$20,000 or below. Included in Personal Services Matching is a \$40 increase in the monthly contribution for State employee's health insurance for a total State match of \$320 per month.

The Oil and Gas Commission Fund that supports this program is also used to fund the Commission's construction appropriation. Therefore, the actual fund balance available for this appropriation on July 1, 2003 was \$2,138,731. Of this amount, \$41,094 was reserved to support the construction appropriation for the Agency's new office building in Fort Smith leaving the remaining balance of \$2,097,637 available for support of the operations appropriation in FY04. Actual fund balance for July 1, 2004 was \$2,306,451 of which \$26,094 has been reserved to support the construction appropriation leaving a balance of \$2,265,357 available to begin to support agency operations.

Changes requested for this appropriation are as follows:

Capital Outlay of \$75,000 each year for replacement of two (2) vehicles, field, and office equipment.

In its Information Technology Plan, the Commission is continually converting the well records and other data to a digitized computer accessible format. A request of \$25,000 to restore the Data Processing special line to its authorized amount will ensure that the Commission is able to continue its goal of converting records to an electronic format.

Personnel issues exist that need to be addressed to meet the specific needs of the Commission. Reclassification an open position of an Oil & Gas Technician to an Oil and Gas Audit Analyst is requested. CLIP reclassifications are being requested for two (2) Secretary II positions, one (1) PC Support Specialist, and one (1) Accountant. The ability to CLIP the Attorney Specialist on staff is also being requested.

The Executive Recommendation provides for the Agency Request with the exception of the reclassification of the Oil & Gas Technician and the two (2) CLIP reclassifications for the Secretary II positions.

## Appropriation / Program Summary

**Appropriation / Program:** 204 Oil & Gas Commission-Operations  
**Funding Sources:** SDO - Oil and Gas Commission Fund

Commitment Item	Historical Data			Agency Request and Executive Recommendation					
	2003-2004 Actual	2004-2005 Budget	2004-2005 Authorized	2005-2006			2006-2007		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	963,780	1,039,202	1,069,822	1,093,006	1,102,602	1,097,579	1,124,432	1,134,316	1,129,142
<b>#Positions</b>	<b>27</b>	<b>28</b>	<b>28</b>	<b>28</b>	<b>28</b>	<b>28</b>	<b>28</b>	<b>28</b>	<b>28</b>
Extra Help 5010001	35,888	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
<b>#Extra Help</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>
Personal Services Matching 5010003	282,240	299,963	287,015	332,059	333,997	332,983	338,370	340,367	339,323
Operating Expenses 5020002	322,704	329,476	301,476	329,476	329,476	329,476	329,476	329,476	329,476
Travel-Conference Fees 5050009	11,033	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Professional Fees and Services 5060010	128,688	62,000	90,000	62,000	62,000	62,000	62,000	62,000	62,000
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Grants and Aid 5100004	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Capital Outlay 5120011	35,288	75,000	75,000	0	75,000	75,000	0	75,000	75,000
Data Processing Services 5900044	26,871	223,129	0	225,000	250,000	250,000	0	0	0
Interstate Oil Compact 5900046	9,400	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Well Capping Expense 5900047	236,567	513,433	0	750,000	750,000	750,000	0	0	0
Underground Injection Control 5900048	11,434	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Groundwater Protection 5900049	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
<b>Total</b>	<b>2,078,893</b>	<b>2,687,203</b>	<b>1,968,313</b>	<b>2,936,541</b>	<b>3,048,075</b>	<b>3,042,038</b>	<b>1,999,278</b>	<b>2,086,159</b>	<b>2,079,941</b>
<b>Funding Sources</b>									
Fund Balance 4000005	2,097,637	2,265,357		1,828,154	1,828,154	1,828,154	1,030,079	1,030,079	1,036,116
Special Revenue 4000030	2,246,613	2,250,000		2,138,466	2,250,000	2,250,000	2,163,119	2,250,000	2,250,000
<b>Total Funding</b>	<b>4,344,250</b>	<b>4,515,357</b>		<b>3,966,620</b>	<b>4,078,154</b>	<b>4,078,154</b>	<b>3,193,198</b>	<b>3,280,079</b>	<b>3,286,116</b>
Excess Appropriation/(Funding)	(2,265,357)	(1,828,154)		(1,030,079)	(1,030,079)	(1,036,116)	(1,193,920)	(1,193,920)	(1,206,175)
<b>Grand Total</b>	<b>2,078,893</b>	<b>2,687,203</b>		<b>2,936,541</b>	<b>3,048,075</b>	<b>3,042,038</b>	<b>1,999,278</b>	<b>2,086,159</b>	<b>2,079,941</b>

Budgeted exceeds Authorized in 1) Personal Services Matching due to matching rate adjustments during the 2003-05 biennium; 2) Operating Expenses by authority of Budget Classification Transfer; and 3) Data Processing and Well Capping Expense due to special language providing carry forward authority.

## Change Level by Appropriation

**Appropriation / Program:** 204-Oil & Gas Commission-Operations

**Funding Sources:** SDO - Oil and Gas Commission Fund

### Agency Request

Change Level		2005-2006	Pos	Cumulative	% of BL	2006-2007	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>2,936,541</b>	<b>28</b>	<b>2,936,541</b>	<b>100.0</b>	<b>1,999,278</b>	<b>28</b>	<b>1,999,278</b>	<b>100.0</b>
C01	Existing Program	100,000	0	3,036,541	103.4	75,000	0	2,074,278	103.7
C09	CLIP Reclass	11,534	0	3,048,075	103.8	11,881	0	2,086,159	104.3

### Executive Recommendation

Change Level		2005-2006	Pos	Cumulative	% of BL	2006-2007	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>2,936,541</b>	<b>28</b>	<b>2,936,541</b>	<b>100.0</b>	<b>1,999,278</b>	<b>28</b>	<b>1,999,278</b>	<b>100.0</b>
C01	Existing Program	100,000	0	3,036,541	103.4	75,000	0	2,074,278	103.7
C09	CLIP Reclass	5,497	0	3,042,038	103.5	5,663	0	2,079,941	104.0

### Justification

C01	Capital Outlay request in the amount of \$75,000 in each year of the biennium for field and office equipment and replacement of two (2) vehicles in FY06 and three (3) vehicles in FY07. Additional appropriation of \$25,000 to restore the special line item Data Processing Services to the \$250,000 level it is currently authorized.
C09	A CLIP Reclassification is requested for two (2) Secretary II positions, one (1) PC Support Specialist, and one (1) Accountant. We also request to reclassify an open position of an Oil & Gas Technician to an Oil and Gas Audit Analyst.

## **Analysis of Budget Request**

**Appropriation / Program:** A20 - Refunds/Transfers

**Funding Sources:** 301 - Oil and Gas Commission Cash

The Oil & Gas Commission's cash fund is used for deposit of Special Revenue fees collected by the Agency and to hold bonds posted by companies engaged in seismographic exploration in the State. This account provides checks with which to make transfers to the State Treasury and eliminates the necessity of sending cash through the mail.

The Agency requests the continuation of this appropriation at its current authorized level of \$2,000,000 each year.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

## Appropriation / Program Summary

**Appropriation / Program:** A20 Refunds/Transfers  
**Funding Sources:** 301 - Oil and Gas Commission Cash

Commitment Item	Historical Data			Agency Request and Executive Recommendation					
	2003-2004 Actual	2004-2005 Budget	2004-2005 Authorized	2005-2006			2006-2007		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Refund/Reimbursements 5110014	0	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
<b>Total</b>	<b>0</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>
<b>Funding Sources</b>									
Fund Balance 4000005	208,982	268,744		0	0	0	0	0	0
Cash Fund 4000045	2,195,844	1,731,256		2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Transfer to Treasury 4000680	(2,136,082)	0		0	0	0	0	0	0
<b>Total Funding</b>	<b>268,744</b>	<b>2,000,000</b>		<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>
Excess Appropriation/(Funding)	(268,744)	0		0	0	0	0	0	0
<b>Grand Total</b>	<b>0</b>	<b>2,000,000</b>		<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>

No actual expenditures exist due to this being a type of Transfer to Treasury Account after refunds are made.